

# PROPERTY

**Maintain NEUTRAL**

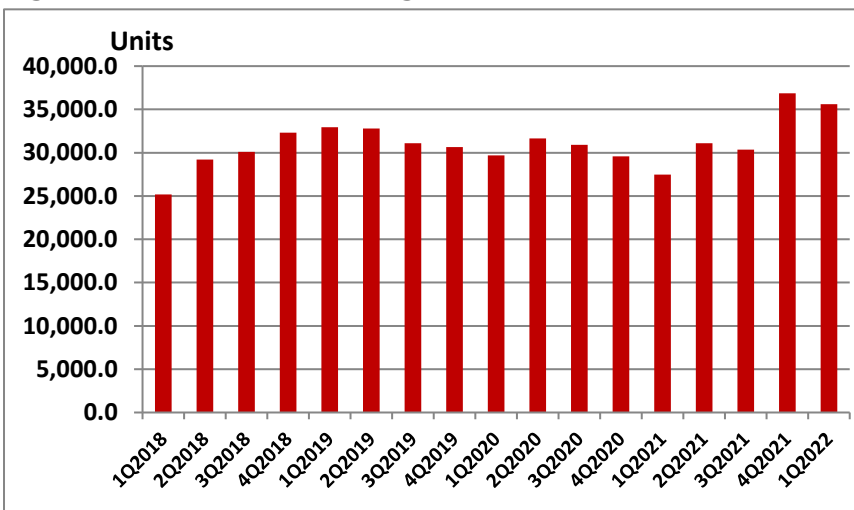
## Lingering property overhang

### KEY INVESTMENT HIGHLIGHTS

- Lingering property overhang as residential overhang units increased
- Johor has the highest overhang units
- Condominium and apartment are the largest contributor to overhang units
- Government incentives to boost house ownership and reduce overhang units
- **Maintain NEUTRAL on Property sector**

**Lingering property overhang.** According to data released by National Property Information Centre (NAPIC), residential overhang units increased to 35,592 units in 1QCY22 from 27,468 units in 1QCY21. The increase in overhang units could be attributed to the disruption to economic activity from several lockdowns in Malaysia. Meanwhile, the increase in residential overhang units implies lingering concern of oversupply in the property market. Nevertheless, the situation showed sign of easing on sequential basis as it eased marginally to 35,592 units in 1QCY22 from 36,863 units in 4QCY21. This was following the reopening of economic activity as Malaysia is transitioning to endemic phase. In a nutshell, we see that issue of oversupply in property market remains as residential overhang units remain high in 1QCY22, staying above 30,000 units.

**Figure 1: Residential overhang units**



Source: NAPIC, MIDF Research

**Johor has the highest overhang units.** Across all states, Johor holds the highest count of unsold completed units at 5,992 units, followed by Penang (5,816 units) and Selangor (5,215 units). Johor remained in the top three of the lists for the past few years mainly due to the excessive building of residential properties which outpaced demand for properties in Johor. Note that residential overhang in Johor increased to 5,992 units in 1QCY22 from 5,468 in 1QCY20. Meanwhile, we see growing concern on property oversupply in Penang as overhang units in Penang ballooned to 5,816 in 1QCY22 from overhang units of 3,043 in 1QCY20.

### COMPANY IN FOCUS

#### Mah Sing Group Berhad

Maintain **BUY** | Unchanged Target price: RM0.74  
Price @ 11<sup>th</sup> August 2022: RM0.585

- 1QFY22 new sales of RM450m in line with management new sales target of RM2b for FY22.
- Positive earnings outlook mainly driven by property development division.
- Beneficiary of i-MILIKI as it focuses on selling properties priced within affordable price range.

#### Share price chart

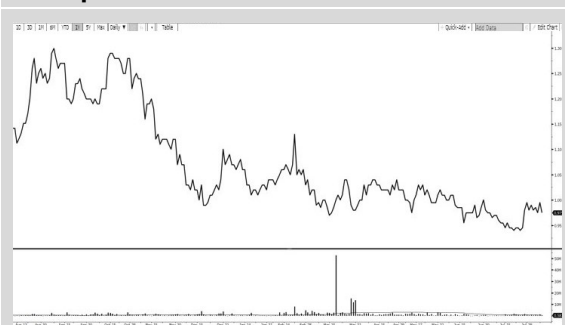


#### IOI Properties Group Berhad

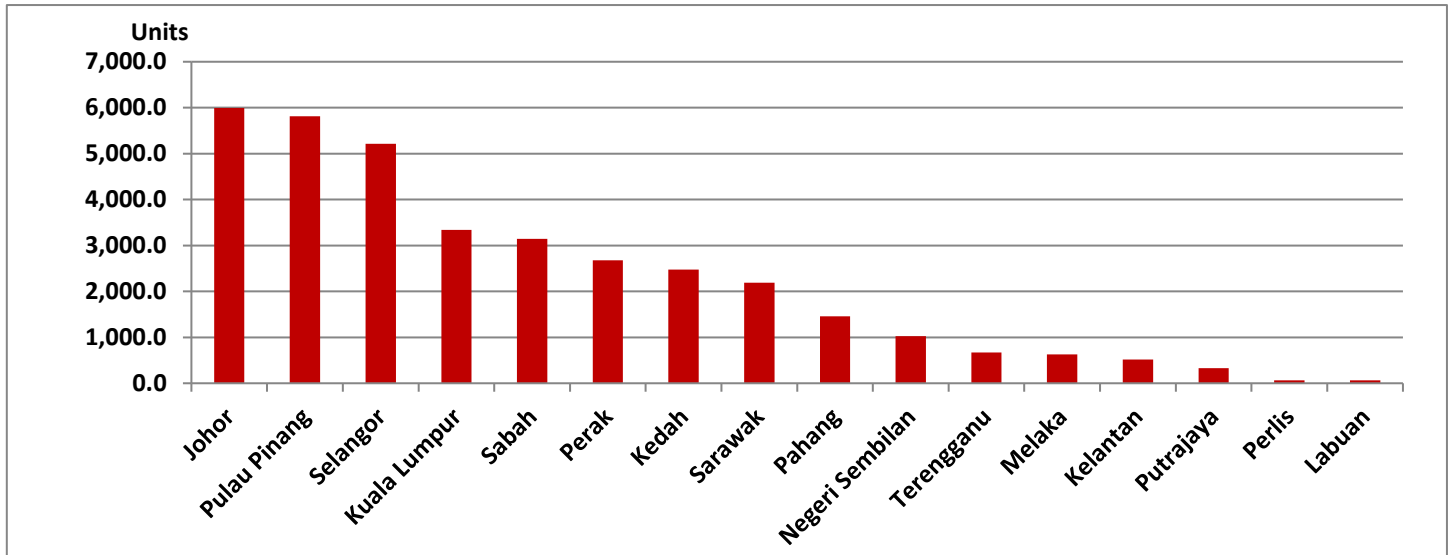
Maintain **BUY** | Unchanged Target price: RM1.29  
Price @ 11<sup>th</sup> August 2022: RM0.98

- Stable earning in 9MFY22, contributed by property development and property investment division.
- Hospitality and investment property division are expected to benefit from the reopening of economy and reopening of national borders of Malaysia.
- Valuation is undemanding, trading at steep discount of 73% to latest NTA of RM3.60 per share.

#### Share price chart

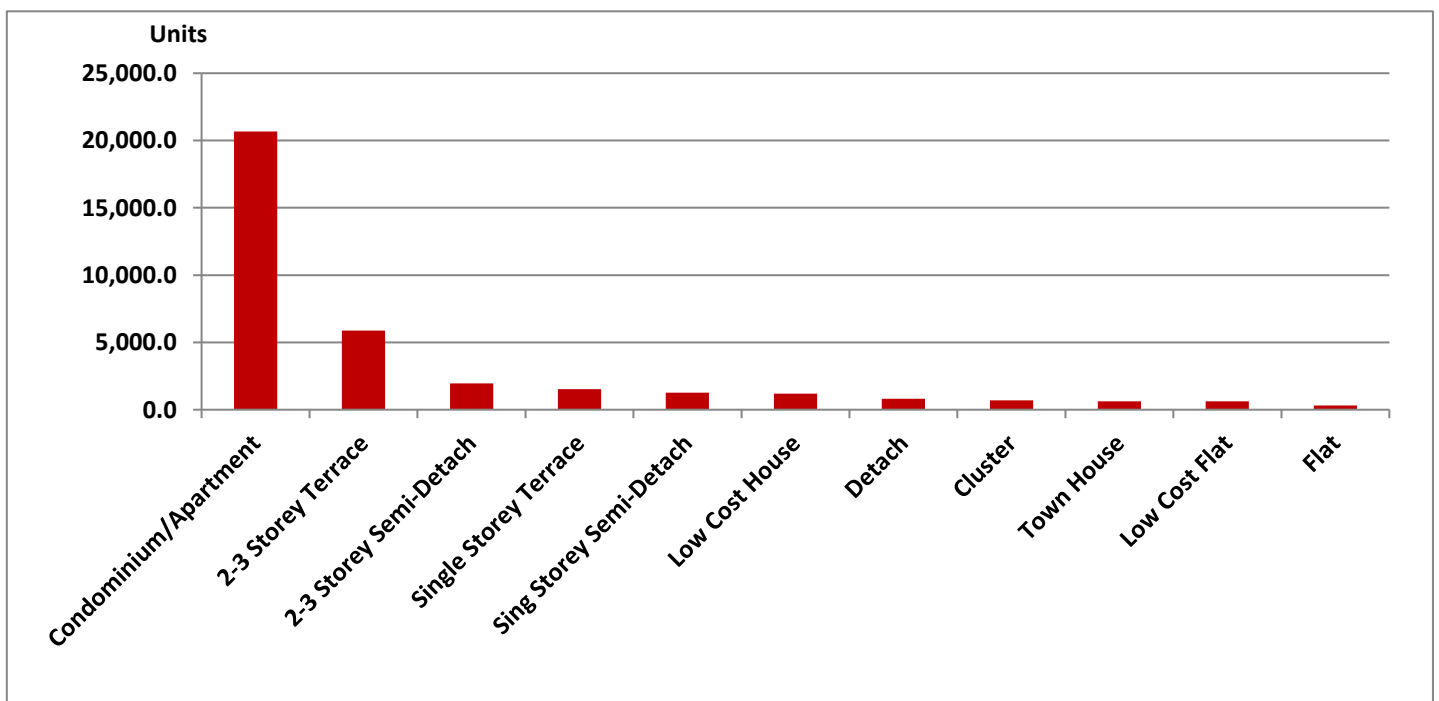


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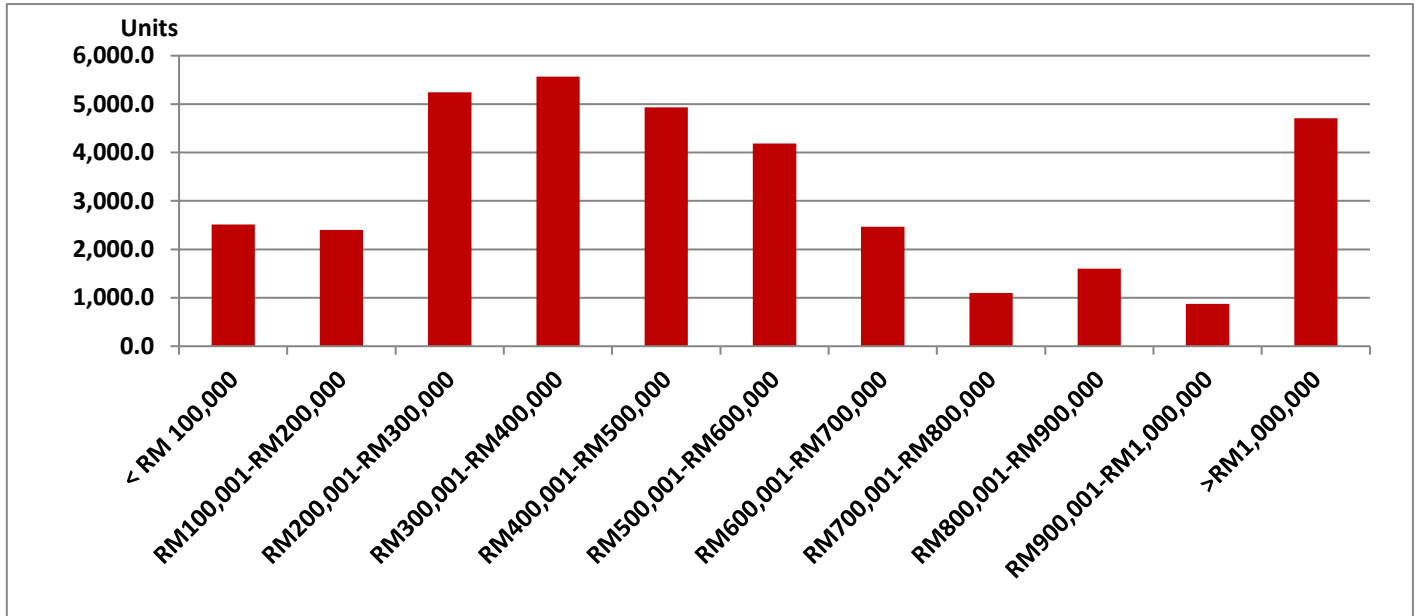
**Figure 2: Residential overhang unit breakdown by states**


Source: NAPIC, MIDF Research

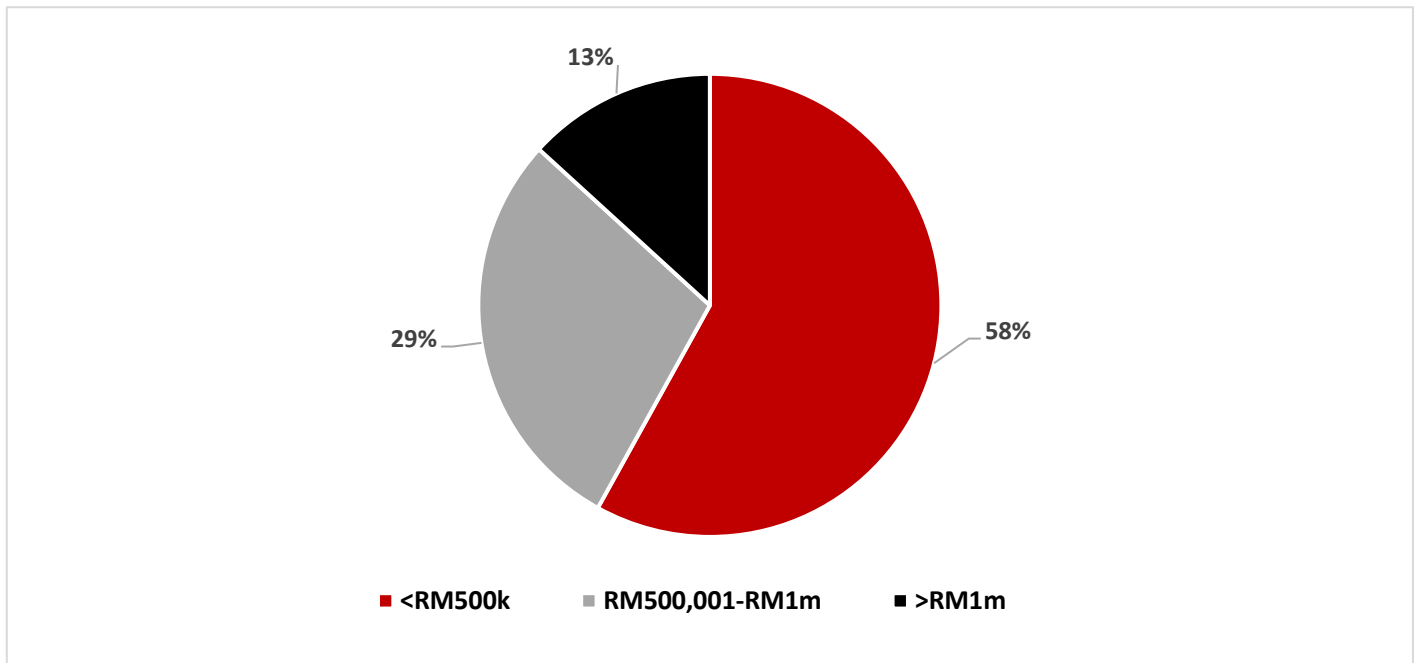
**Condominium and apartment are the largest contributor to overhang units.** Residential overhang units in 1QCY22 were largely contributed by condominium and apartment. Condominium and apartment contributed 20,680 units or 58% to total residential overhang units. Meanwhile, 2-3 storey terrace contributed 5,889 units or 17% to total residential overhang units followed by 2-3 storey semi-detach (5%). In term of price range of overhang units, properties priced between RM300,001 to RM400,000 contributed highest number of overhang units of 5,565 followed by properties priced between RM200,001-RM300,000 with total overhang units of 5,245. In a nutshell, we opine that oversupply situation is more apparent for properties priced within affordable price range of below RM500k as it contributed to 58% of total overhang units. Meanwhile, properties priced within RM500k-RM1m contributed to 29% of overhang units while properties priced above RM1m constitutes 13% of overhang units.

**Figure 3: Residential overhang unit breakdown by types**


Source: NAPIC, MIDF Research


**Figure 4: Residential overhang unit breakdown by price range**


Source: NAPIC, MIDF Research

**Figure 5: Residential overhang unit breakdown by three main price range**


Source: NAPIC, MIDF Research

**Government incentives to boost house ownership and reduce overhang units.** Government launched the Keluarga Malaysia Home Ownership Initiative (i-MILIKI) which provides stamp duty exemption for first-time homebuyers in order to boost home ownership. Under the initiative, buyers of first houses priced RM500k and below will enjoy 100% stamp duty exemption on transfer instruments and loan agreements. Meanwhile, buyers of first houses priced between RM500k-RM1m will enjoy 50% exemption in stamp duty. The stamp duty exemption is applicable for sale and purchase agreement signed between 1<sup>st</sup> June 2022 to December 2023. We think that i-MILIKI initiatives could reduce residential overhang units particularly for properties priced below RM500k which contributed to the highest number of residential overhang units in 1QCY22.

**Maintain NEUTRAL on property sector.** We see near-term outlook for property sector to remain unexciting due to the oversupply concern. Residential overhang units remain on the high side in 1QCY22, which we think would make property market remains competitive and prompt property developers to offer attractive package to attract buyers. That may also make property developers unable to fully pass on the rising cost of construction to property buyers and bring margin compression of property developers. In a nutshell, we maintain our **NEUTRAL** view on property sector. Our **BUY** calls for the sector are **Mah Sing (BUY, TP: RM0.74)** and **IOI Properties Group (BUY, TP: RM1.29)**. We like Mah Sing for its strategy of focusing on affordable home segment. Mah Sing could benefit from i-MILIKI as Mah Sing is focusing on selling properties priced within affordable price range and below RM500k. We are also positive on IOI Properties Group due to its undemanding valuation of trading at 73% to its NTA per share of RM3.60. We see earnings outlook of IOI Properties Group to underpin by higher contribution from property investment and leisure & hospitality divisions following reopening of Malaysia's economic activity. 

**Figure 6: Peers comparison table**

Stock	FYE	Rec.	Price @ 11-Aug-2022	Target Price (RM)	Core EPS (sen)		Core PER (x)		Net DPS (sen)		Net Dvd Yield		P/NTA (x)
					FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	
MAHSING	Dec	BUY	0.595	0.74	7.5	7.9	7.9	7.6	3.0	3.2	5.0%	5.3%	0.41
ECOWLD	Oct	BUY	0.705	0.80	7.1	9.4	9.9	7.5	4.0	4.0	5.7%	5.7%	0.44
IOIPG	June	BUY	0.98	1.29	11.9	12.9	8.2	7.6	2.0	3.0	2.0%	3.1%	0.27
GLOMAC	April	BUY	0.30	0.48	4.8	5.5	6.3	5.5	1.5	1.5	5.0%	5.0%	0.20
SPSETIA	Dec	NEUTRAL*	0.785	1.11	7.0	8.2	11.2	9.6	0.7	1.0	0.9%	1.3%	0.23
UOADEV	Dec	NEUTRAL	1.65	1.62	8.5	10.6	19.4	15.6	10.0	10.0	6.1%	6.1%	0.68
UEMS	Dec	NEUTRAL	0.31	0.34	0.5	1.0	60.8	31.0	0.0	0.0	0.0%	0.0%	0.26
SUNWAY	Dec	NEUTRAL	1.65	1.71	8.0	8.1	20.6	20.4	3.0	3.5	1.8%	2.1%	0.82

\*Under review

Source: MIDF Research

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

#### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology